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IDAHO PUBLIC
UTILITIES COMMISSION

July 31, 2002

Commission Secretary
Idaho Public Utility Commission
P. O. Box 83720
Boise, Idaho 83720-0074

Re: Case No. GNR-E-02-01, PURPA QF's
In The Matter Of The Investigation Of The Reasonableness Of Current Size
Limitations For PURPA QF Published Rate Eligibility And Restrictions On
Contract Length.

Dear Commissioners:

I am the president of Shorock Hydro, Inc. which owns and operates two small hydroelectric Qualifying Facilities (QF) of 2.1 Mw and 975 Kw, near Twin Falls and Shoshone, Idaho, respectively. In addition, I am managing partner of a 1.5 Mw hydroelectric plant on the Milner-Gooding Canal that has operated since 1994. The Shorock plants were constructed in 1982 and 1981 respectively. I helped license, permit, design, construct, and currently operate and manage these plants. I have also worked on numerous other plants as a consulting engineer and project manager, and feel I understand the business.

I am also the president of Water Power, LLC. We are currently working with the American Falls Reservoir District, Twin Falls Canal Company and North Side Canal Company to develop five (5) small hydroelectric qualifying facilities, all on seasonal canals that operate typically from April through October. These plants represent some 8 Mw of capacity and 28,900 Mw hrs of production, all of which could be on line in 2 - 5 years.

The primary hindrance to the development of these desirable low impact projects is a 5-year contract and 1 Mw limitation to the published SAR avoided cost rates. The Idaho Public Utilities Commission (IPUC) is in the process of rectifying this hindrance, however these projects are only viable at an average avoided cost rate of 6 to 6 ½ cents per Kwhr.

Perhaps it is time for the IPUC to consider a two tier avoided cost rate. One rate for existing facilities where the development costs have been recovered or amortized, and another rate for new facilities. There could be a rate for environmentally benign projects such as hydro projects on canals, wind turbines, or geothermal plants. Such power could be considered "green power". We estimate that the spread between existing facilities and new environmentally benign projects should be at least 1 to 1 ½ cents.

One of the strongest arguments for canal hydro projects and wind turbine development is that the generating capacity can be installed near the load or demand. This reduces the need for large transmission line capacity throughout the country. It also helps national security by not concentrating power production at large vulnerable facilities. A larger number of small generating plants distributed through out small communities, farms, and larger service areas is a good strategy for reliability and minimizing transmission costs. In addition these facilities do not emit green house gases or create air quality problems in urban areas such as Boise and Nampa.

The natural gas market has been very volatile with the entire country making an extensive commitment to combustion turbines. We feel the IPUC should encourage other forms of power production that do not rely on natural gas. Gas volatility has created some problems with the IPUC avoided cost model and we would request that the IPUC use the Northwest Power Planning Council high gas price forecast and a 4.4% gas escalation rate. The gas prices should be averaged for 2 – 3 years to remove some of this volatility. Perhaps the avoided cost calculations for combustion turbines should be adjusted for the economic effect of the emissions.

The QF industry is in an excellent position to fill the void created by placing the Garnett Power Plant on hold, which was a large part of Idaho Power Company's Integrated Resource Plan.

QF facilities on seasonal canals are very environmentally benign and greatly benefit the canal companies by allowing them to better maintain and enhance their systems. An example of this in the Twin Falls Canal Company who owns QF facilities or receives income from existing QF's, they have made some excellent improvements to the irrigation systems and their stockholders have benefited greatly.

QF facilities are good for the local ratepayer as they contribute to local economic stability with a fixed power rate over a 20-year period.

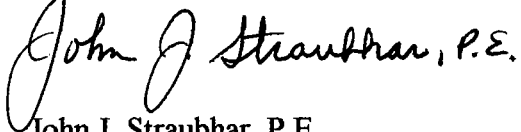
The QF industry is very reliable and competitive contrary to rumor and innuendo. Our existing plants typically run the entire irrigation season at an exceptionally high plant factor, which is necessary if you are to get an adequate return on your investment. The canal companies demand that the plants be run very efficiently with no impact on their system.

The QF industry is very positive for Idaho and power consumers. We need a level playing field and the IPUC is in a position to help us achieve this goal while also benefiting all of Idaho.

If I can be of further service or if you wish to discuss my comments, I can be reached at 208-736-8255.

Sincerely,

Water Power, LLC



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